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on Trade and Development

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13 November 1992

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TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on Investment and
Financial Flows; Non-debt-creating
Finance for Development; New
Mechanisms for Increasing Investment
and Financial Flows
First session
Geneva, 9 November 1992
Agenda item 3

ESTABLISHMENT OF THE WORK PROGRAMME OF THE WORKING GROUP

Draft work programme submitted by the Chairman

1. Pursuant to a New Partnership for Development: the Cartagena Commitment, adopted at the eighth session of the Conference, the Ad Hoc Working Group agreed, on the basis of Board decision 398 (XXXVIII) which sets out in Annex B the terms of reference of the Ad Hoc Working Group on Investment and Financial Flows; Non-debt-creating Finance for Development; New Mechanisms for Increasing Investment and Financial Flows, the following work programme.

A. Global trends and issues

2. Drawing on existing studies, the Ad Hoc Working Group will:

(a) Provide analysis on factors, traditional and non-traditional, determining non-debt-creating flows and their geographical and sectoral distribution;

(b) Examine the role of global factors, foreign investors' motivations, and the interaction between such factors and national, regional and international policies to promote non-debt-creating finance.

B. Policies and measures to promote foreign direct investment (FDI)

3. On the basis of country presentations, the Ad Hoc Working Group will facilitate an exchange of experiences with respect to national, regional and international policies and measures to promote FDI.

4. In particular, the Ad Hoc Working Group will:

(a) in the field of host country policies:

(i) Assess the role of the overall economic policy framework in host countries;

(ii) Examine the role of the regulatory framework for foreign direct investment (FDI);

(iii) Conduct a comparative study of the effectiveness of fiscal and financial incentives, investment promotion activities, debt swaps, [and measures with regard to flight capital];

(iv) Assess experiences with export processing zones and special economic zones, and their relationship with the domestic economy.

(b) in the field of home country policies:

(i) Analyse the effectiveness of incentives and promotional measures including, inter alia, credit and investment insurance schemes adopted by home countries, and the role of ODA in supporting host country investment efforts;

(ii) Review the role of bilateral investment and double taxation treaties.

(c) in the field of regional and multilateral measures:

Assess the impact of regional and multilateral measures, including financing, insurance schemes and advisory services, on foreign direct investment (FDI) flows and the complementarity of the various components of such measures.

C. Portfolio equity investment and new mechanisms

5. The Ad Hoc Working Group will:

(a) Collect and disseminate information on portfolio equity flows;

(b) Conduct a comparative analysis of the experience of host countries and international financial institutions in stimulating portfolio investment, as well as in improving the standards of stock markets;

(c) Analyse the economic and financial impact of portfolio equity flows on host country economies, in the context of domestic capital market development and financial liberalization.

(d) Analyse experiences and assess the potential role of asset-based financing techniques.

D. Strengthening technical cooperation

6. In carrying out the above activities, the Working Group will identify areas where technical cooperation should be strengthened.

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(b) Examine the role of the regulatory framework for foreign direct investment (FDI);

(c) Conduct a comparative study of the effectiveness of fiscal and financial incentives, investment promotion activities, debt swaps;

(d) Assess experiences with export processing zones and special economic zones, and their relationship with the host country economy;.

(e) Analyse the effectiveness of incentives and promotional measures including, inter alia, credit and investment insurance schemes adopted by home countries, and the role of ODA in supporting host country investment efforts;

(f) Review the role of bilateral investment and double taxation treaties.

(g) Assess the impact of regional and multilateral measures, including financing, insurance schemes and advisory services, on foreign direct investment (FDI) flows and the complementarity of the various components of such measures.

(h) Identify policies and measures which could contribute to the return of flight capital.

C. Portfolio equity investment and new mechanisms

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(d) Assess experiences and the potential role of asset-based financing techniques.

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